Once Small, ITT Emerged Into an

By Morton Mintz

International Telephone and Telegraph, the corporation at the continuing hearings on the nomination of Richard G. Kleindienst as Attorney General, started out small, in 1920, as a communications service company in the Caribbean.

Two decades later, when World War II started, ITT was still compared with the corporate giants, a small operation, with 7,500 employees and sales of $92 million.

By 1960, ITT, mainly by expanding its foreign operations, had increased sales nine-fold and had risen to 51st place on the Fortune magazine list of the largest U.S. industrial corporations.

From 1960 through 1968 ITT grew phenomenally, becoming the nation's biggest conglomerate, by buying up other companies—54 in the United States and 56 in foreign countries.

To facilitate negotiations, ITT paid more thin 20 per cent over market value for eight major acquisitions (53.2 per cent more, in the case of Avis Rent a Car) and offered to increase the compensation of top executives by large increments (79 per cent for two officials of Airport Corporation of America).

In the first 10 months of 1969, ITT completed 48 more mergers (29 of them in the United States) and had 13 others pending. By then, according to data ITT submitted to a House antitrust subcommittee:

• ITT owned at least 50 per cent of the stock in each of 114 companies in the United States, Canada. and Mexico, 158 in Europe, 15 in Africa and the Middle East, and 14 in the Far East and the Pacific. These 331 corporations were major subsidiaries such as Aetna Finance, Avis, Levitt & Sons, Speedwriting and Sheraton Corp.—firms that had an additional 708 lower-tier subsidiaries of their own.

• ITT, then the 29th-largest prime contractor for the Defense Department, had revenues of $6.4 billion—more than the gross national product of Chile, Finland, Peru or Portugal.

• The conglomerate had 104,262 employees, in groups of at least 100, at about 250 installations in the 50 states, and 191,398 employees, in the same grouping, at 220 locations in 26 other countries. Total employment was about 390,000.

In 1970, revenues increased by $300 million, raising ITT to eigth place on the Fortune list of 500 firms. Assets were $6.7 billion, net income $353.5 million.

The "driving force" in ITT's growth was Harold Sidney Geneen, the House subcommittee, headed by Rep. Emanuel Celler (D-N.Y.), said in its report last September.

The 62-year-old, British-born Geneen has "exceptional talents," the report said. "He applied novel management concepts," creating a central staff of about one thousand persons "that exercises supervision throughout the corporate structure by a highly formalized internal communications and control mechanism." In 1968 alone, executives traveling to seven types of regularly scheduled meetings spent $3 million.

In its annual report for 1969, this leading multi-national corporation said it was "constantly at work around the clock—in 67 nations on 6 continents." In ventures in Chile, France and India it is, or has been, partner of the government.

The directors, officers and employees of his leading multi-national corporation have included a former Secretary-General of the United Nations, the late Trygve Lie; former Belgian Premier Paul-Henri Spaak; former CIA director John A. McCone, and members of the British House of Lords and the French National Assembly.

In one enterprise or another —manufacturing, servicing, insuring, lending, researching, baking, publishing, utilities— ITT has become involved in the affairs of government, not only in Washington and other

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world capitals, but also at the state and possibly local levels.

The antitrust subcommittee illustrated this with material from the files of Avis, which ITT acquired in 1965 and which is one of the companies it would divest under the antitrust settlement with the Justice Department that is an issue in the Senate hearings.

In February, 1968, Avis president Winston V. Morrow Jr., sent out his Manager's Monthly Letter No. 32, which dealt with the "political activity" needed to combat the continuing "flurry of adverse legislation being introduced in state legislatures throughout the country."

Two bills introduced in the New York State Assembly would limit the rights of a franchiser such as Avis to terminate a franchise, and so, "We are proceeding to mobilize our friends," the letter said.

"We have been quite active in churning up opposition to the legislation introduced in California which would place us under the California Public Utilities Commission for rates, advertising, etc." The letter continued, "We have an understanding that the legislation will not be pushed by the sponsors."

"It appears we have been successful in stopping the legislation introduced in Hawaii which would limit any type of discounts sold in that state," Morrow said.

He noted that at least one bill a month affecting Avis seemed to be introduced in one state or another in "the year of the consumer."

"It's going to require a great deal more political activity by us at every level than ever before in our history," the letter said.

As a multi-national corporation, ITT, pressing in the 1950s for a military and commercial submarine cable system across the North Atlantic called "Deep Freeze," dealt with the governments of Britain, Canada, Denmark (for Greenland), Iceland and the United States.